

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

VOSK INTERNATIONAL CO.,

Plaintiff,

vs.

ZAO GRUPPA PREDPRIYATI  
OST and ZAO OST AQUA,

Defendants.

Case No. C11-1488RSL

ORDER VACATING DEFAULT,  
DENYING MOTION TO DISMISS

This matter comes before the Court on Defendants’ “Motion to Dismiss for Lack of Jurisdiction” (Dkt. # 15) and “Motion to Set Aside Order Granting Plaintiff’s *Ex Parte* Motion for Leave to Serve Defendants by Alternate Means, Quash Service and Vacate Default” (Dkt. # 16).<sup>1</sup> Defendants contend that 15 U.S.C. § 1071(b)(4) precludes this Court from exercising jurisdiction over Plaintiff’s first claim—that the final decisions of the Trademark Trial and Appeal Board (“TTAB”) were unsupported by substantial evidence. They further contend that, regardless of § 1071, this Court lacks personal jurisdiction over each Defendant and that service was not properly effectuated. Accordingly, they ask the Court to vacate its entry of default (Dkt. # 14)

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<sup>1</sup> The Defendants appeared specially to preserve their objections.

1 and dismiss this case for lack of jurisdiction.<sup>2</sup> Dkt. ## 15, 16.

2 For the reasons set forth below, the Court GRANTS the motions IN PART. It  
3 VACATES its entry of default but DENIES Defendants' motion to dismiss.

#### 4 **I. BACKGROUND<sup>3</sup>**

5 Plaintiff is a Washington general partnership doing business in King County,  
6 Washington. Complaint (Dkt. # 1) at ¶ 2. Since 1997, Plaintiff has been engaged in  
7 the business of marketing, distributing, offering for sale, and selling beverages  
8 throughout the United States. Id. at ¶ 2.

9 Defendant Zao Gruppa Predpriyatij Ost and Defendant Zao Ost Aqua are both  
10 Russian companies. Id. at ¶¶ 3–4. Defendant Zao Gruppa Predpriyatij Ost owns and  
11 operates Defendant Zao Ost Aqua. Id. at ¶ 3. Both manufacture, bottle, and sell  
12 several popular non-alcoholic drinks in Russia. Id. at ¶ 11.

13 On March 18, 2004, Plaintiff contracted with Defendant Zao Ost Aqua to  
14 purchase Defendant's "Dushesse, extra-cider, and estragon drinks." Id. at ¶ 12. The  
15 contract required Defendant to, among other things, alter its formula according to  
16 Plaintiff's specifications and to use Plaintiff's English-language labels. Id. These  
17 labels contained product names and stylized designs created by Plaintiff. Id.; see id. at  
18 ¶ 13. Plaintiff began importing and selling Defendants' drinks in the United States that  
19 summer. Id. at ¶ 15.

20 In September 2004, Plaintiff filed applications with the United States Patent and  
21 Trade Office ("PTO") to register the names of the three drinks, "KCTPA-CNTP  
22 EXTRA-CIDER," "TAPXYH ESTRAGON," and "DIOWEC DUSHESS," and each's

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23 <sup>2</sup> In their Reply (Dkt. # 22), Defendants retract their request to set aside the Court's  
24 Order granting Plaintiff's request for leave to serve Defendants' by alternate means (Dkt. # 10).  
They also retract their request to quash service. Dkt. # 22. Accordingly, they have waived  
each argument. Fed. R. Civ. P 12(h).

25 <sup>3</sup> The Court "accepts as true all well-pleaded allegations of material fact, and  
26 construe[s] them in the light most favorable to the non-moving party." Daniels-Hall v. Nat'l  
Educ. Ass'n, 629 F.3d 992, 998 (9th Cir. 2010).

1 label design as international trademarks. Id. at ¶¶ 16–17. The PTO approved each  
 2 application and published them for opposition. Id. at ¶ 18. Defendants filed  
 3 oppositions to each of the three applications, which the TTAB consolidated for trial.  
 4 Id. at ¶¶ 19–21, 23.

5 On August 9, 2011, the TTAB sided with Defendants, sustaining each of their  
 6 oppositions. Id. at ¶ 26. Plaintiff filed the instant suit 31 days later. In it, Plaintiff asks  
 7 this Court to review the TTAB’s decision pursuant to 15 U.S.C. § 1071(b), alleging that  
 8 “the TTAB improperly considered inadmissible evidence that Defendants offered,  
 9 excluded admissible evidence that [Plaintiff] offered, improperly weighed the evidence  
 10 it did accept, and erred in applying the law.” Id. at ¶¶ 27–34. It also adds a false  
 11 designation of origin claim under 15 U.S.C. § 1125(a), id. at ¶¶ 35–39, and a  
 12 Washington unfair competition claim under RCW 19.86, id. at ¶¶ 40–44.

## 12 II. DISCUSSION

13 To resolve the present motions, the Court considers three questions: (1) whether  
 14 § 1071(b)(4) divests this Court of jurisdiction; (2) whether this Court lacks personal  
 15 jurisdiction over the Defendants; and, (3) whether the Court should vacate its entry of  
 16 default. The Court concludes that § 1071(b)(4) does not divest it of jurisdiction to  
 17 review the decision of the TTAB and that Defendants’ many transactions with Plaintiff,  
 18 a Washington resident, are more than enough to support personal jurisdiction. It will,  
 19 however, set aside the entry of default so that the case can be decided on the merits.

### 20 A. Section 1071(b)(4)’s “Jurisdiction” Provision

21 Defendants contend first that § 1071(b)(4) precludes this Court from exercising  
 22 jurisdiction over Plaintiffs’ § 1071(b) claim. The Court disagrees.

23 As is relevant to this case, § 1071(b)(4) provides:

24 Where there is an adverse party, such suit may be instituted against  
 25 the party in interest as shown by the records of the United States  
 26 Patent and Trademark Office at the time of the decision complained  
 of, but any party in interest may become a party to the action. If  
there are adverse parties residing in a plurality of districts not

embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

§ 1071(b)(4) (emphasis added).<sup>4</sup>

Defendants' position is understandable. As some courts have found, the statute could be interpreted as limiting "jurisdiction" over appeals to a single district. E.g., Del-Viking Prods., Inc. v. Estate of Johnson, Civ. A. No. 93-1831, 1994 WL 413752, at \*1 (W.D. Pa. Feb. 10, 1994) ("After considering the motions and briefs filed by both parties and the language of the statute itself, we are persuaded that § 1071(b)(4) mandates that jurisdiction of this claim under the circumstances present in this case properly lies only with the District Court for the District of Columbia."). Not all courts have agreed, however. See, e.g., Bally Gaming, Inc. v. Kappos, 789 F. Supp. 2d 41, 43–44 (D.D.C. 2011); Standard Oil Co. v. Montecatini Edison S.p.A., 342 F. Supp. 125, 131–33 (D. Del. 1972) ("[The statute] simply provided a supplemental forum in the District of Columbia to a plaintiff in an interference suit when he could not otherwise obtain service of process upon all indispensable defendants in other fora under the general personal jurisdiction and venue statutes."). And because the statute does not unambiguously support either position, the Court must delve into the statute's legislative history. Oklahoma v. New Mexico, 501 U.S. 221, 236 n.5 (1991) ("[W]e repeatedly have looked to legislative history and other extrinsic material when required

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<sup>4</sup> Both parties rely in their arguments on the most recently amended version of § 1071, which identifies the United States District Court for the Eastern District of Virginia, and not the District of Columbia, as the jurisdiction of choice. That reliance is incorrect. The amended version of § 1071 applies only to those civil actions commenced on or after the date of the enactment of the authorizing Act—September 16, 2011. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 9(b), 125 Stat. 284, 316 (Sept. 16, 2011) ("The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply to any civil action commenced on or after that date."). Because Plaintiff commenced this civil action on September 9, 2011, the amendment does not apply. Id.

1 to interpret a statute which is ambiguous[.]”).

2 Fortunately, the history in this case makes two relevant points very clear. First,  
3 though the statute speaks in terms of “jurisdiction,” it really refers to “venue.” Leahy-  
4 Smith America Invents Act, Pub. L. No. 112-29, § 9, 125 Stat. 284, 316 (Sept. 16,  
5 2011) (describing the amendment as part of the Act’s “TECHNICAL AMENDMENTS  
6 RELATING TO VENUE”). And second, the statute does not limit venue. “It was  
7 adopted for the benefit of plaintiffs and not of defendants. It simply provide[s] a  
8 supplemental forum in the District of Columbia to a plaintiff . . . when he could not  
9 otherwise obtain service of process upon all indispensable defendants in other fora  
10 under the general personal jurisdiction and venue statutes.” Montecatini, 342 F. Supp.  
11 at 132 (discussing 35 U.S.C. § 146); accord Chris Laganas Shoe Co. v. Watson, 221  
12 F.2d 881, 882 (D.C. Cir. 1955) (concluding that the statutory language simply “permits  
13 claims that cannot be enforced elsewhere to be enforced here [in the United States  
District Court for the District of Columbia].”).

14 To understand this second point, it is necessary to understand that the pertinent  
15 “venue” provision of § 1071(b)(4) is not unique. Congress borrowed the relevant  
16 language from 35 U.S.C. § 146 in 1962.<sup>5</sup> Prior to that, § 1071 had simply incorporated  
17 § 146’s language entirely by reference. 10 U.S.C. 1071 (1952) (“Any applicant . . .  
18 who is dissatisfied with the decision of the Commissioner . . . may proceed under  
19 sections 145 and 146 of Title 35 . . .”).

20 Accordingly, to understand § 1071, this Court must identify the impetus for  
21 § 146. And, as concisely summarized in Montecatini, § 146’s purpose was not to limit  
22 venue, but to aid plaintiffs by providing a supplemental forum for plaintiffs who would  
otherwise be left without one:

23 Legislative history indicates that the purpose of the

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25 <sup>5</sup> The language differs in only one respect: § 146 begins, “If there be adverse parties  
26 . . . ,” while § 1071(b)(4) states, “If there are adverse parties . . . .”

1 concluding language of § 146 was to remedy a statutory anomaly.  
2 Before 1927, it often occurred that plaintiffs were unable to  
3 prosecute interference suits because process could not be served  
4 when there were multiple defendants having interests which made  
5 them indispensable parties who resided in different states or in  
6 foreign countries. . . . [I]t was possible that an inventor, defeated in  
7 a patent office interference, would be remediless against his  
8 victorious rival, who after receiving a patent removed himself  
9 completely from the United States. The Court agreed that this was  
10 so and called it an anomaly under the existing statutory law. The  
11 Court further suggested that, if the defect were to be remedied, it was  
12 up to Congress to make the correction. Congress corrected the  
13 defect by the adoption of the Act of March 3, 1927[,] which added  
14 the language now found in the concluding portion of § 146. It was  
15 adopted for the benefit of plaintiffs and not of defendants. It simply  
16 provided a supplemental forum in the District of Columbia to a  
17 plaintiff in an interference suit when he could not otherwise obtain  
18 service of process upon all indispensable defendants in other fora  
19 under the general personal jurisdiction and venue statutes.

20 342 F. Supp. at 132 (discussing Armstrong v. De Forest, 13 F.2d 438 (2d Cir. 1926);  
21 accord E. I. DuPont De Nemours & Co. v. Celanese Corp., 285 F. Supp. 819, 821  
22 (S.D.N.Y. 1968) (“This salutary scheme was devised in 1927 to enable certain  
23 multiparty interference suits to be brought where the necessary litigants could not  
24 otherwise be joined under the general jurisdiction and venue statutes.”); see also Chris  
25 Laganas, 221 F.2d at 882; Bally Gaming, 789 F. Supp. 2d at 43–44.

26 Because this Court agrees with Montecatini’s rationale and its conclusion, it  
concludes that § 1071(b)(4) does not deprive it of “jurisdiction.”

## 19 **B. Personal Jurisdiction**

20 Defendants contend next that this Court lacks personal jurisdiction because their  
21 contacts with the state of Washington are “so remote that they provide no basis for  
22 general jurisdiction” or specific jurisdiction. Plaintiff’s Complaint and declarations  
23 flatly contradict Defendants’ position.

24 In order to determine whether personal jurisdiction exists over an out-of-state  
25 defendant, this Court must make two inquiries: (1) whether a forum state’s long-arm  
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1 statute permits the assertion of jurisdiction and (2) whether assertion of personal  
 2 jurisdiction violates federal due process. Pebble Beach Co. v. Caddy, 453 F.3d 1151,  
 3 1155 (9th Cir. 2006). “Where, as here, the district court receives only written  
 4 submissions, the plaintiff need only make a prima facie showing of jurisdiction to avoid  
 5 the defendant’s motion to dismiss.” Rio Props., Inc. v. Rio Int’l Interlink, 284 F.3d  
 6 1007, 1019 (9th Cir. 2002). “[U]ncontroverted allegations in [Plaintiff’s] complaint  
 7 must be taken as true, and conflicts between the facts contained in the parties’  
 8 affidavits must be resolved in [Plaintiff’s] favor.” Id.

9 In this case, the Court’s inquiry is simplified by the fact that Washington’s  
 10 “long-arm statute extends jurisdiction to the limit[s] of federal due process.” Chan v.  
 11 Society Expeditions, Inc., 39 F.3d 1398, 1405 (9th Cir. 1994) (citations omitted).  
 12 Thus, the Court need only determine whether “the exercise of jurisdiction [would]  
 13 comport with federal due process,” i.e., whether general or specific personal  
 14 jurisdiction exists. Id. at 1405–06.

15 For specific jurisdiction to exist, “a defendant . . . must have ‘minimum  
 16 contacts’ with the forum state such that the assertion of jurisdiction ‘does not offend  
 17 traditional notions of fair play and substantial justice.’” Pebble Beach, 453 F.3d at  
 18 1155 (quoting Int’l Shoe Co. v. Washington, 326 U.S. 310, 315 (1945)). “This  
 19 ‘minimum contacts’ test is satisfied” in the Ninth Circuit when:

20 (1) the defendant has performed some act or consummated some  
 21 transaction within the forum or otherwise purposefully availed  
 22 himself of the privileges of conducting activities in the forum, (2) the  
 23 claim arises out of or results from the defendant’s forum-related  
 24 activities, and (3) the exercise of jurisdiction is reasonable.

25 Id. “The plaintiff bears the burden of satisfying the first two prongs of the test.”  
 26 Schwarzenegger v. Fred Martin Motor Co., 374 F.3d 797, 802 (9th Cir. 2004). “If the  
 plaintiff fails to satisfy either of these prongs, personal jurisdiction is not established in  
 the forum state.” Id. But “[i]f the plaintiff succeeds in satisfying both of the first two



1 prongs, the burden then shifts to the defendant to ‘present a compelling case’ that the  
2 exercise of jurisdiction would not be reasonable.” Id.

3 Turning to the facts of this case, the Court finds that Plaintiff has more than met  
4 its initial burden. The first prong requires only that Defendants “consummate[d] some  
5 transaction with the forum or resident thereof; or perform[ed] some act by which [they]  
6 purposefully avail[ed] [themselves] of the privilege of conducting activities in the  
7 forum, thereby invoking the benefits and protections of its laws.” Schwarzenegger,  
8 374 F.3d at 802. And, it is undisputed that on March 18, 2004, Defendants entered into  
9 a contract with Plaintiff for the manufacture and sale of Defendants’ “Dushesse, extra-  
10 cider, and estragon drinks,” Complaint (Dkt. # 1) at ¶ 12, and that, in performance of  
11 the contract, they manufactured thousands of their drinks for delivery to the state of  
12 Washington, Dkt. # 19.

13 There is also no dispute that pursuant to this contract, Plaintiff provided  
14 Defendants with the English-language labels containing the specific drink names and  
15 stylized designs that form the crux of each of its claims. Compare id., with id. at ¶¶  
16 28–34 (Claim 1), id. at ¶ 36 (Claim 2) (“Defendants’ unauthorized use of design marks  
17 that copy identical or confusingly similar distinctive elements of Vosk’s Trademarks in  
18 connection with the same goods in the United States constitutes a false designation of  
19 origin, false or misleading description and/or false and misleading representation.”),  
20 and id. at ¶ 41 (“Defendants’ unauthorized use of design marks that copy identical or  
21 confusingly similar elements of Vosk’s Trademarks in connection with the same goods  
22 in the United States constitutes an unfair method of competition and an unfair trade  
23 practice . . .”). This satisfies the second prong. See Action Embroidery Corp. v.  
24 Atlantic Embroidery, Inc. 368 F.3d 1174, 1180 (9th Cir. 2004) (“[A] court may assert  
25 pendent personal jurisdiction over a defendant with respect to a claim for which there is  
26 no independent basis of personal jurisdiction so long as it arises out of a common  
nucleus of operative facts with a claim in the same suit over which the court does have



1 personal jurisdiction.”).

2 In arguing against jurisdiction, Defendants rely heavily on a single fact: that all  
3 of their contacts with Plaintiff occurred in Russia. That is irrelevant, however.

4 Regardless of where documents were signed or hands were shook, Defendants entered  
5 into a contract with Plaintiff knowing that Plaintiff was a Washington resident and then  
6 purposefully directed their products to this state. Reply (Dkt. # 23) at 9–10. Nothing  
7 more is required. World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 297–98  
8 (1980) (“The forum State does not exceed its powers under the Due Process Clause if it  
9 asserts personal jurisdiction over a corporation that delivers its products into the stream  
10 of commerce with the expectation that they will be purchased by consumers in the  
11 forum State.”)<sup>6</sup>; accord Schwarzenegger, 374 F.3d at 802–03.

12 Thus, in sum, this Court finds that Defendants “purposefully avail[ed]  
13 [themselves] of the privilege of conducting activities within” this state both when they  
14 contracted with Plaintiff and when they “deliver[ed] [their] products into the stream of  
15 commerce with the expectation that they w[ould] be purchased by consumers” in  
16 Washington. World-Wide Volkswagen, 444 U.S. at 297. Accordingly, they had “clear  
17 notice that [they were] subject to suit” here and have failed to demonstrate that this  
18 Court’s exercise of jurisdiction would be unreasonable. Id. (“Hence if the sale of a  
19 product of a manufacturer or distributor such as Audi or Volkswagen is not simply an  
20 isolated occurrence, but arises from the efforts of the manufacturer or distributor to  
21 serve directly or indirectly, the market for its product in other States, it is not  
22 unreasonable to subject it to suit in one of those States . . .” (emphasis added)).<sup>7</sup>

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23 <sup>6</sup> Defendants’ reliance on Incoterms is immaterial to this Court’s due process inquiry.  
24 Regardless of when Defendants’ risk of loss or delivery obligations terminated, the record now  
before the Court makes clear that they were aware of where their goods were to be delivered  
and consumed. Moreover, Incoterms have no bearing on the fact that Defendants contracted  
directly with a Washington resident.

25 <sup>7</sup> Because the Court finds that specific jurisdiction exists, it does not consider whether  
26 general jurisdiction also exists.

### C. Vacatur of the Default

Finally, the Court reaches the issue of vacatur of its entry of default. It exercises its discretion to vacate so that this case may be decided on the merits.

Federal Rule of Civil Procedure 55(c) provides that a court may set aside a default for “good cause shown.” Franchise Holding II, LLC. v. Huntington Rests. Group, Inc., 375 F.3d 922, 925 (9th Cir. 2004). In considering whether that standard has been met, “the district court should consider whether: (1) the plaintiff would be prejudiced by setting aside the default; (2) the defendant has a meritorious defense; and, (3) the defendant’s culpable conduct led to the default.” See O’Connor v. Nevada, 27 F.3d 357, 264 (9th Cir. 1994); Franchise Holding, 375 F.3d at 925. Notably, though, the moving party need not establish each of these factors. Instead, it need only demonstrate that the balance of these factors favors vacatur. See TCI Group Life Ins. Plan v. Knoebber, 244 F.3d 691, 696 (9th Cir. 2001).

In this case, Plaintiff has not identified any prejudice that might result were the Court to vacate its entry of default. And, while the Court disagrees with each of Defendants’ “jurisdiction”-based defenses, it cannot ignore that Defendants were the victors before the TTAB. Accordingly, the Court must assume that they have a meritorious defense to the merits of Plaintiff’s claims.

Frankly, the only thing that gives the Court any pause whatsoever is the fact that Defendants specially appeared two days prior to the entry of default and yet did not move the Court for leave to respond to Plaintiff’s motion. Still, given the service complexities at issue in this case, the Court cannot conclude that this minor delay amounted to culpable conduct of the kind that would preclude vacatur. Id. at 697–98 (“[W]e have typically held that a defendant’s conduct was culpable . . . where there is no explanation of the default inconsistent with a devious, deliberate, willful, or bad faith failure to respond.”); see id. at 696 (“[T]his Court has emphasized that [default] judgments are ‘appropriate only in extreme circumstances; a case should, whenever

possible, be decided on the merits.” (citation omitted)); O’Connor, 27 F.3d at 363 (Courts should “resolve[ ] all doubt in favor of setting aside the entry of default and deciding the case on its merits.”).

In sum, the Court exercises its considerable discretion, Mendoza v. Wight Vineyard Mgmt., 783 F.2d 941, 945 (9th Cir. 1986), to vacate its entry of default.

### III. CONCLUSION

For all of the foregoing reasons, Defendants’ “Motion to Set Aside Order Granting Plaintiff’s *Ex Parte* Motion for Leave to Serve Defendants by Alternate Means, Quash Service and Vacate Default” (Dkt. # 16) is GRANTED IN PART. The Court VACATES its entry of default (Dkt. # 14), but otherwise DENIES as moot Defendants’ remaining requests. In addition, the Court DENIES Defendants’ “Motion to Dismiss for Lack of Jurisdiction” (Dkt. # 15). Section 1071(b)(4) does not deprive this Court of jurisdiction, and Defendants’ many contacts with this state and its resident, Plaintiff, allows the Court to exercise jurisdiction over the identified claims.

DATED this 27th day of March, 2012.



Robert S. Lasnik  
United States District Judge